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25 April 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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Army and State Dept. reviews completed

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GENERAL

1. Comment on TASS denial of Stalin four-power talk offer: Since recent Indian press speculation on the reported Stalin proposal for a four-power meeting would presumably contribute to the Soviet "peace" campaign, Moscow's official denial is surprising. There have been other signs that the Kremlin does not want to give the impression that it is soliciting such a general meeting with the West. Stalin's reply to the American editors on 1 April gave only a guarded answer concerning a big power meeting and the subsequent Stalin-Radhakrishnan conversation received no play in Soviet media. The USSR apparently wishes to remain free to choose the time, terms and subject matter for any four-power meeting. (Factual data based on R Moscow 1722, 23 Apr 52)
2. Soviet Union reportedly protests use of material in Afghan press: Informal Soviet representations have been made to the Afghan Embassy in Moscow and to the government in Kabul against the extent of Afghan press use of publications material supplied by American and British sources. The British Embassy in Kabul has also been reliably informed of Soviet protests against the increasing use of American economic aid, which was claimed to be endangering Afghanistan's neutral position. (C Kabul 428, 17 Apr 52)

Comment: Such a protest by the USSR against American information activities may result in their curtailment. However, due to Afghanistan's fear of provoking the USSR it is unlikely that effective steps would be taken against the pro-Communist articles in the Afghan press. In fact, the Afghan press seems to be printing somewhat more pro-Communist material, but the government appears to take no notice of the trend.

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3. Soviet-Egyptian barter agreement reportedly biased to favor USSR: Certain clauses in the recent cotton-wheat barter agreement between the USSR and Egypt appear to place the Egyptian Government at a disadvantage.

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25X1C [redacted] the USSR ruling on weight and quality of wheat is to be binding on both parties, and any disputes are to be subject only to Moscow's decision. The contract specifies that at least some of the wheat imports be paid in free sterling. [redacted] the total exchange will leave the USSR with a considerable sum of free sterling.

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Comment: Moscow has been in an advantageous position to barter with Egypt for cotton due to the Egyptian cotton surplus, the drop in world prices, and growing Egyptian financial difficulties. When the barter agreement was announced in mid-February, no prices for cotton were revealed, and the USSR apparently established a favorable balance at that time.

The negotiation, if this report is accurate, is a good example of the Soviet practice of exporting wheat, and gaining in exchange needed hard currency such as sterling. This is probably the first time Moscow has applied the practice of binding clauses on quality and settlement of disputes outside the Soviet Orbit.

EASTERN EUROPE

4. Increased number of Soviet soldiers, officers and trucks observed in Prague: An increased number of Russian soldiers, officers and trucks were observed in Prague between 1 and 17 April,

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Comment: There have been persistent rumors that a Soviet military mission, believed to have been stationed in Karlovy Vary, moved to Prague in February. It is also possible that Russian military forces are in Prague in preparation for the Czechoslovak Liberation Day parade on 6 May.

5. Yugoslav UN delegate sees less danger of Soviet attack: The Yugoslav delegate to the United Nations, Ales Bebler, has informed American officials that the possibility of a Russian or Satellite attack has lessened, largely as a result

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of the solidarity of many nations behind Yugoslav independence. Moreover, Bebler felt that various statements by responsible Americans warning Moscow against aggression have also had a beneficial effect.

According to Bebler, Yugoslavia will formally approach all neighboring Satellites in an effort to get them to agree upon the formation of mixed border commissions and to adhere to the General Assembly's recommendations concerning the re-establishment of normal relations. Bebler states that his government expects negative replies to these overtures, but that these would at least provide evidence to support any future Yugoslav protest should this be found necessary.
(S New York 734, 23 Apr 52)

Comment: The Hungarian Government has already rejected a Yugoslav note delivered on 18 February suggesting the establishment of a mixed border commission to settle the Mura Island dispute and delineate the boundaries.

Yugoslav propaganda organs have represented as a significant diplomatic victory the success in the UN General Assembly of the Yugoslav resolution which expressed concern over the existence of a serious state of tension in the Balkans and called for the normalization of Soviet-Satellite relations with Yugoslavia.

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FAR EAST

6. Relief of Chinese Communist Army in central Korea indicated: The Far East Command reported on 22 April the capture, in the 26th Army sector in central Korea, of a Chinese Communist soldier from the 15th Army. The prisoner said that his unit had come into the line ten days previously and had relieved elements of the 76th Division, 26th Army.

FECOM comments that the capture and statement of this prisoner strongly indicate that the relief of the 26th Chinese Communist Army has taken place. Pending receipt of further confirmation, however, the identity of the relieving force cannot be firmly established. (S CINCFE Telecon 5771, 23 Apr 52)

Comment: Recent prisoners taken from the 26th Army have indicated that a relief was contemplated in April. Previous reports have suggested that the 60th Chinese Communist Army might be the relieving force.

7. Polish vessel to load Ceylonese rubber for China: The Polish vessel Kilinski is expected at Colombo 25 April to load rubber for China. Credits have been opened in Ceylon to cover the purchase of 6,000 tons, but the American Consul in Colombo believes that considerably less is available for shipment. (C Colombo 593, 23 Apr 52)

Comment: The Kilinski (7,612 gross tons) carried a deck cargo of 300 tons of rubber to China from Ceylon in March, and is apparently planning to load a full cargo of rubber this trip. Rubber shipments to China from Ceylon have totaled less than 3,000 tons thus far in 1952, primarily due to a shortage of shipping space.

8. Indonesia may propose breaking embargo on rubber sales to China: The American Embassy in Djakarta has learned from a reliable source that immediately prior to the departure of the Indonesian delegation to the Ottawa Rubber Conference, to be held in May, the Foreign Office was considering breaking the embargo on rubber sales to China.

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In addition, Prime Minister Wilopo has been publicly quoted as stating that the Indonesian Government is in contact with India, Ceylon and Singapore for presentation at Ottawa of a united stand on rubber exports to Iron Curtain countries. This stand, however, is as yet undetermined.
(C Djakarta 1547, 22 Apr 52)

Comment: Indonesia has complained that the UN-sponsored ban on rubber exports to China, to which Indonesia reluctantly adhered, depressed rubber prices. During the past two months, a further drop in prices and a seriously shrunken market for low grade rubber have created a general demand in Indonesia for an expansion of exports.

The new Indonesian Cabinet, installed on 3 April, appears to be committed to a stricter interpretation of Indonesia's "independent" foreign policy than was its predecessor.

9. Burmese official to visit Indochina: The American Embassy in Rangoon reports that Burmese Attorney General U Chan Htoon has been commissioned by Premier Nu to visit Indochina and study conditions there. The Embassy comments that Chan Htoon will be the first Burmese official personally to obtain information on Indochina and that his report may "influence future Burmese policy towards the French Union and Associated States." (C Rangoon 1028, 23 Apr 52)

Comment: Although Burmese authorities have recently indicated awareness of the Communist orientation of the Vietminh, they have not accepted the Bao Dai regime as independent.

Chan Htoon was one of the chief authors of the Burmese constitution and his opinions are highly respected.

NEAR EAST - AFRICA

10. Iraq resentful of British role in providing military equipment: Iraq bitterly resents any implication that

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Britain possesses, under the Anglo-Iraqi Treaty of 1930, exclusive responsibility for providing it with military equipment. Moreover, it is dissatisfied with the small quantity and the inferior quality of British arms it has recently received. In line with this attitude, Iraq has on several occasions sought American equipment. (S Bagdad 901, 21 Apr 52)

Comment: There are reports of widespread suspicion of British and French intentions in the Near East as well as conviction that the United States is the only Western power which can supply military materiel.

Iraq's resentment may make it more difficult for Britain to renegotiate the Anglo-Iraqi Treaty of 1930.

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WESTERN EUROPE

11. East German defector describes unity campaign as tactical: The current Soviet unity campaign for Germany is only a tactical maneuver, according to Gerold Rummel, personal relations officer for East German Foreign Minister Dertinger. Rummel, who fled to West Berlin about two weeks ago, asserted that East German politicians were worried by the prospect of all-German elections until informed by Russian Ambassador Pushkin that the Soviet Union did not contemplate "sacrificing" the East German regime in free elections.

American observers in Berlin comment that the East German tactics since the 9 April Soviet note support Rummel's statements. (C Berlin 1236, 18 Apr 52)

Comment: Rummel later stated publicly that Dertinger does have plans for all-German elections, but that his plans call for separate simultaneous elections in East and West Germany, with the West German parties being excluded from East German election lists.

This information may disillusion the one-third of the West German populace which either supports the Soviet unity offer or has not as yet been convinced of its insincerity.

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12. East German Politburo charts action to culminate in May: East German Premier Grotewohl and his deputy, Walter Ulbricht, returned from Moscow about 13 April and convened a meeting of the Socialist Unity Party (SED) politburo to discuss action to be taken should West Germany sign the contractual agreement prior to the holding of a four-power conference.

The USSR will reportedly apply continuous pressure for a four-power conference while the SED takes immediate steps to mobilize the West German support. Through local action groups the SED will try to swing the West German Socialist Party over to the side of resistance before 1 May. The Communists plan May Day demonstrations for unity along the interzonal border, where large numbers of People's Police will be stationed.

The conference revealed that SED leaders believe the contractual agreement will be signed by mid-May, whereas the USSR believes it is still possible to "hinder" the signing.

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25X1 Comment: Grotewohl may have been in Moscow early this month; [redacted] on 3 April that he had gone on two weeks' sick leave to recover from a nervous breakdown.

13. East-West trade financed by Austrian Creditanstalt declines: During the last quarter of 1951, letters of credit issued by the nationalized Creditanstalt of Vienna for trade between Orbit countries and various Western countries, including Austria, declined to negligible proportions. Throughout 1950 and the early months of 1951, such financing allegedly constituted an important part of the bank's business.

The last remaining account of a Soviet-controlled enterprise in Austria was reportedly relinquished recently by the Creditanstalt to the Soviet Military Bank in Vienna. [redacted]

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Comment: The Soviet occupation authorities are believed to be transferring all USIA accounts to the Soviet Military Bank, possibly in an effort to conserve schillings, to control more closely the operations of Soviet-held enterprises in Austria, and to tighten security controls over their economic activities. The decline in Creditanstalt-financing of covert East-West trade, therefore, does not of itself imply decreased efforts in seeking to make such transactions. Nevertheless, the over-all volume of rail shipments transiting Austria from the West to the Orbit declined considerably during 1951.

14. [redacted]

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LATIN AMERICA

16. Bolivian unrest affects South American stability: The Chilean Foreign Minister believes that the Bolivian revolt was the "joint work of the Nazis, Peronists, and Communists," and was part of an over-all plan for South America. He states that President Paz Estenssoro is clearly not in control, since he cannot persuade the "Communist" miners to surrender their arms.

The general belief of diplomats in Santiago is that there must be an intensive investigation of the Communist and Peronista threat to South America before Bolivia is recognized, and that the United States decision on recognition will determine the immediate political future of South America. (S Santiago 546, 23 Apr 52)

Comment: Brazil also is not yet satisfied that the Paz Estenssoro regime is stable and a high Foreign Office official

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mentioned the possibility of an additional coup. Chile and Peru fear that any new disorders in Bolivia might eventually spread to their countries.

Spain and Guatemala are the only countries which have recognized the new Bolivian Government.

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Ecuadoran military coup predicted for this week: [redacted]

[redacted] a military dictatorship will be established in Ecuador before controversial presidential candidate Velasco Ibarra visits the capital on 26 April.

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Meanwhile, President Galo Plaza has announced the resignation of his entire cabinet. [redacted] the President forced the resignations to get rid of Defense Minister Diaz Granados, who was planning to lead the rumored revolt. Velasco's followers reportedly had planned a counter-revolt. [redacted]

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Comment: Velasco was originally scheduled to reach Quito on 22 April and serious disturbances were expected at that time.

According to other reports, left-wing elements have been trying to provoke Velasco's followers into open street fighting to provide an excuse for repressive action or a coup.

The resignation of his cabinet will give the President an opportunity to strengthen the government during this tense pre-election period, but will not necessarily prevent further disturbances including a possible coup and countercoup.

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Another leading Guatemalan labor union desires to break from Communist control: Raymundo Gonzalez, secretary general of the union of United Fruit Company workers in Tiquisate, has declared that his union should break away from the Communist-controlled General Confederation of Guatemalan Workers (CGTG) "and be independent." (R FBIS [redacted]) Reuters, 21 Apr 52)

Comment: This declaration, by the leader of Guatemala's largest union of agricultural workers, follows closely after a strong faction within the powerful railway workers' union (SAMF) demanded withdrawal from the CGTG and condemned Communists in the union. Two agricultural confederations have already announced their complete break with the CGTG.

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FAR EAST

1. Future of Allied Council for Japan questioned by USSR:

The Soviet member of the Allied Council for Japan, at the meeting on 23 April, asked what effect the coming into force of the "so-called peace treaty" would have on the future of the ACJ. After criticizing the conduct of the occupation and denouncing the United States view that the ACJ automatically terminates on 28 April, the Soviet member stated that, since the USSR has insisted upon the withdrawal of foreign forces from Japan and the conclusion of a genuine peace settlement, it "can bear no responsibility whatsoever for the situation which has arisen." (C S/S Tokyo 2274, 23 Apr 52)

Comment: As far as is known, the Soviet Union has not approached the Japanese Government relative to the future status of its mission. The Japanese have indicated that the Soviet personnel attached to the ACJ will lose their diplomatic privileges after 28 April, but will not be forcibly ejected.

It is considered likely that the Soviet Union, rather than accept a restricted position, will propose that its mission be considered as a trade agency. The Japanese have indicated, however, that no privileges will be extended to the USSR without reciprocal treatment.

It is noteworthy that the Chinese Nationalist member did not support the Soviet position, as previously threatened in the event the China-Japan treaty had not been concluded by the time the San Francisco treaty became effective.

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NEAR EAST - AFRICA

3. Turkish abstention in Tunisian case causes domestic criticism: Turkish abstention in the UN Security Council vote on the Tunisian - French dispute has been widely criticized in the Turkish press. A Turkish Foreign Office spokesman told the American Ambassador on 22 April that his country had taken this action because it wished to maintain solidarity with the Western powers, and that it would have voted for consideration of the Tunisian case if the United States had done so. (S S/S Ankara 1160, 22 Apr 52)

Comment: This is the first time that Turkish adherence to United States policy has aroused widespread criticism in the press. Although the Turks have been uniformly critical of Egypt and Iran in the disputes of those countries with Britain, there is apparently considerable belief in Turkey that the Tunisian complaint is justified.

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